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Report of the World Bank on the International Comparison Programme

Note by the Secretary-General

In accordance with the request of the Statistical Commission at its thirty-sixth session,** the Secretary-General has the honour to transmit to the Statistical Commission the report on the International Comparison Programme prepared by the International Comparison Programme Global Office of the World Bank (see annex). The Commission is requested to review progress and comment on planned activities. In particular, comments are welcomed on publication plans, data access issues and the future of the Programme.

* E/CN.3/2006/1.
** See *Official Records of the Economic and Social Council, 2005, Supplement No. 4* (E/2005/24), chap. I.B.

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Annex

Report of the World Bank on the International Comparison Programme

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I. Introduction

1. A governance arrangement comprising national, regional, and international organizations has been established, as well as the International Comparison Programme (ICP) Executive Board. The Board is responsible for the successful implementation of the programme. An international secretariat is located in the World Bank and is charged with the day-to-day management and coordination of the global programme.

2. The Executive Board has provided effective leadership on the scope of the Programme and the overall workplan. The members representing other international organizations, all of the regional coordinating organizations and national statistical offices have promoted a strong sense of partnership and ownership among all stakeholders. The Technical Advisory Group has provided effective technical support.

3. While the Statistical Office of the European Communities (Eurostat) and the Organization for Economic Cooperation and Development (OECD) operate separate comparison programmes including their member countries, there is a very effective partnership between the two programmes. The results of the two programmes will be brought together by the "ring" comparison, which will include countries from the Eurostat/OECD region.

4. Significant progress has been made, with all regions fully engaged in data collection. All have reviewed preliminary data and calculated purchasing power parities (PPPs) at the basic heading level for analysis purposes. The ring product list has been finalized, as have specifications for the collection of prices for the equipment, construction, health and government sector comparisons. Data collection for those items will take place during the first half of 2006. The workplan calls for preliminary results to be published in late 2006.

5. The present report provides a summary of the status of the global and regional programmes. The Statistical Commission is invited to take note of the progress made to date. The report also includes a number of issues regarding budget, publication plans, data access policies and the future of the Programme that were addressed by the Executive Board and are summarized in this report for discussion purposes.

II. Overview of the global programme

6. Data collection is under way with all regions expected to meet the requirements for national annual prices for the 2005 reference year. Data from the first data collections have been reviewed by country and regional offices. Four regions have held at least two data review workshops with participating countries to examine purchasing power parities at the basic heading level. While the first data review workshops revealed many data quality problems, solutions were offered and corrections made in subsequent data collections.

7. The Global Office also held a data review workshop by bringing the regional coordinators together to review jointly regional prices and basic heading PPPs. The workshop enabled the regional coordinators to learn from each other about problems encountered and to offer solutions. Most importantly, it allowed the Global Office

and the regional coordinators to identify areas where each region needed to make adjustments for comparability purposes across regions. Adjustments required by some regions included the following: pricing more items, tightening product specifications, widening the scope of outlets and obtaining more observations.

8. The data review workshop held by the Global Office also enabled it to propose new data analysis methods. A new set of diagnostic tables was introduced to complement the well-known Quaranta tables. The new tables provide a compressed overview of diagnostics across basic headings, while the Quaranta tables provide analysis for one basic heading at a time.

9. Of the five ICP regions, three submitted data to the Global Office for the data review; one brought electronic files for illustration; and the other brought paper copies showing limited information. That experience raised many issues regarding policies for data submission and data access as well as confidentiality concerns. Executive Board actions on those issues will be presented below.

10. The level of data collection by country within each region varies by frequency of data collection, coverage of the country and scope of outlets. The Global Office and the regional coordinators agreed upon a set of criteria a country must meet in order to be included in the regional and global comparisons. Those requirements will also be reviewed under Executive Board actions.

11. The Global Office led the preparation of specifications for health, housing, government, construction and equipment. They have been finalized, and data collection forms have been prepared. The ring product list of 950 consumption items has been finalized in close cooperation with the regional coordinators.

12. The regions plan to publish PPPs in stages, starting with preliminary estimates for consumption in the third and fourth quarters of 2006 and followed by PPPs at the gross domestic product (GDP) level in subsequent quarters. The preliminary PPPs and volume indices will be based on expenditure weights drawn from earlier years and the estimated 2005 GDP. Final PPPs and other measures will be published later in 2007 when final GDP data become available. Preliminary and final global PPPs will also be published using the ring data and following the regional time tables.

13. The full "tool pack" processing system is being used in all Western Asian countries and in 16 of the Asian countries. An additional six Asian countries are using the data processing module to calculate average prices and submit them to the regional coordinator. The Latin American countries are sending price data to the regional coordinator, where they are uploaded into the module for subsequent processing. Both the African Development Bank and the Commonwealth of Independent States (CIS) face security policies that do not allow the tool pack to be installed on their networks owing to the use of the Microsoft Internet Information Server. The African region developed separate software for use at the country level. They are, however, using the module for purchasing power parity calculations. The CIS is using software from the Eurostat/OECD comparison programme. The full tool pack system is being supported for those using it. In addition, the Global Office is moving the module to the Microsoft Windows platform so that Africa and the Commonwealth of Independent States can benefit from having a database and from using it for calculation of indices.

14. The global programme still faces a funding shortfall of about 1 million United States dollars ($) to carry the programme to completion at the end of 2007. Half of that amount is needed in the first half of 2006 to support the final data collection for construction, equipment and the ring programme. The regions have been advised to move forward with their workplans, assuming the support will become available.

15. The following section summarizes issues presented to the Executive Board and their actions. The Commission is invited to provide input on those issues.

III. Executive Board actions

A. Requirements for inclusion in regional and global comparisons

16. The Executive Board of the International Comparison Programme expressed broad agreement that minimum requirements must be met for inclusion in the publication of the results. The basic requirements are as follows:

(a) National annual prices and diagnostic variables based on at least two data collections are required except where a single collection (e.g. housing) is suitable. Collection can be limited to major cities if data are available to extrapolate prices to national levels;

(b) Average prices must reflect purchases across all types of outlets to provide representative national prices;

(c) National level expenditure weights will be furnished for the 155 basic headings;

(d) Countries are to be engaged in the regional data review process. At present, countries are committed to data reflecting their purchasing power parities and per capita indices being published at the same level of detail within the region.

B. Data access issues: Global Office

17. The Global Office expects to receive country-level average prices and related diagnostic variables from the regions after each data collection, followed by the final national annual average prices. That information is required to ensure consistent methods and procedures are being followed across the regions during data collection and to prepare the global report. The Board endorsed that position and directed the Global Office to provide supporting material to the regions about how the data will be used and confidentiality maintained.

18. The Global Office pointed out difficulties it encountered in preparing the ring list, and it also indicated that countries would be expected to provide supporting information with the individual price observations. The individual prices and supporting comments will need to be compared across regions, which led the Global Office to request submission of individual prices for the ring collection. The Board approved that recommendation with instructions to consider whether the Global Office could access country level individual prices without actually holding the data. The data would be used only for data analysis by the Global Office.

C. Data access in general

19. The Executive Board was supplied with details about World Bank data confidentiality provisions, which are as stringent as those in many national statistical offices. It is recognized that the final database will contain data in greater detail than that to be published. For example, data variability at the basic heading level may be too great for PPPs at that level to be published. While everyone agrees on the need to maintain confidentiality, the challenge is to provide researchers access to the databases on a limited and restrictive basis to expand the boundaries of knowledge and to approve the methods for future rounds. The Board directed the Global Office to form a data access working group with terms of reference directing them to address the preceding issues. The working group will provide its first report by mid-February 2006.

D. Publication of International Comparison Programme results

20. The Board endorsed the plan to publish both preliminary and final PPPs and to publish in stages for consumption and the full GDP. A related issue is the level of detail to be published. The OECD region publishes details for only about 15 aggregates of GDP. Many of the other regions feel their stakeholders will require data in much more detail. While regions will be publishing the results separately, the data will ultimately be combined into a global report, raising the issue of whether to publish at the most detailed level with blank cells for those with a more restrictive policy or to suppress certain regional data. The concern is whether varying levels of detail across regions will raise questions about the data quality of those with the most restrictive publication policies. The Board directed the Global Office to seek a common agreement among the regions on the level of detail to be published.

E. Fixity of regional results in global comparisons

21. The Technical Advisory Group endorsed, and the Executive Board agreed, that the global comparison linking the regions should ensure the ranking of countries and that relative indices resulting from the regional comparisons should be preserved.

F. Funding

22. While there is confidence that the funding shortfall will be resolved to ensure successful completion of the present round, the issue is how to place the programme on a sustainable footing over time and ensure the future of the International Comparison Programme. Input is sought from the Commission on the funding issue, especially as it relates to the following paragraph.

G. Future of the International Comparison Programme

23. Countries and regional coordinators are raising questions about the future of the International Comparison Programme. Owing to the investment in human capital and methodology that has gone into this round, concerns are being expressed that the expertise and experience gained thus far will be lost and will be difficult to

regain if there are no plans to continue the programme. The Board agreed upon a stated goal to continue the Programme beyond the current round with a business model that spreads the work out over time. It also directed the Global Office to begin the evaluation process by providing the framework for it and directed the regional coordinators to carry out an initial self-evaluation, which should be completed by October 2006.

IV. Preparations for remaining price collection activities

A. Construction

24. A new method, "basket of construction components", will be used for comparisons in the construction sector. Data collection will involve collecting prices for 34 construction components within which details will be collected for material, labour and equipment. The price comparisons will be at the component level for the basic headings for residential, non-residential and civil engineering works. Data collection forms have been prepared and sent to the regions. Most regions will collect the data in the first quarter of 2006 but will obtain average prices for 2005. The procedure was endorsed by the Technical Advisory Group as a simpler price collection tool than those currently in use.

B. Equipment

25. The Global Office provided generic global structured product definitions which the regions used to identify models and specifications for equipment that is available in their countries. The Global Office has also prepared a core international list of equipment goods for the ring comparison. The list has been designed to minimize extra data collection by the ring countries. The Global Office prepared forms for the data collection to take place in 2006 using retrospective pricing to obtain average prices for 2005.

C. Housing

26. The issue is that it is not possible or feasible to collect rental data in many countries. The Technical Advisory Group is finalizing procedures to obtain detailed data underlying the national accounts, including numbers of dwellings classified by size, locality and region, numbers of facilities for both modern and traditional housing and the respective imputed rents.

D. Government occupations

27. The specifications for occupations used in the Eurostat/OECD and ICP comparisons were last updated in 1988 by the International Labour Organization (ILO). The Global Office, Eurostat and the OECD worked jointly with ILO to update the specifications to be used for the present round of the Programme.

E. Ring comparison

28. The countries included in the Ring comparison are the same as those published in the previous report to the Commission (E/CN.3/2005/7). A ring product list containing 950 consumption items has been developed with considerable effort and input from the regional offices and ring countries. The regional lists were originally developed independently without much concern about specifications used in other regions. While it was possible to find similar products among regions, it was necessary to harmonize the terminology defining the products. The end result was a list of products described in a consistent manner and with corresponding images. A catalogue was prepared, and data collection forms and survey guidelines were also developed. Owing to the harmonization of the product descriptions, the ring countries will be asked to price as many of the items as possible rather than trying to find overlap in their regional lists. Data collection will take place in 2006.

F. International Comparison Programme handbook

29. The handbook now has 14 chapters describing the methodology underpinning the current round of the International Comparison Programme. Recent additions include descriptions of the methodology to aggregate from basic headings to the GDP and of the ways in which the regions will be linked at the basic heading level. A chapter is under development on how to link the aggregated results across regions. Chapters 1-6 are being reviewed and updated.

G. Advocacy and access to information

30. One of the guiding principles for this round of the Programme is to ensure that everyone involved and interested has complete access to all relevant information. The ICP website is updated on a regular basis. It contains the background and research material that set the stage for the current round along with the papers concerning the new methodology being implemented. In addition, it contains the up-to-date chapters of the ICP handbook and complete summaries of the deliberations of the ICP Executive Board, the Technical Advisory Group and the meetings of the regional coordinators. The website is currently undergoing a revision to make it easier to access information.

31. The International Comparison Programme newsletter is published quarterly. It features work in progress regarding the development of methods and procedures, background information about issues coming from ICP experts, regional status reports and a calendar of coming events.

32. The growing interest in the current round has led the Global Office to organize sessions about the Programme at statistical conferences. In 2005, major sessions were organized for the biennial session of the International Statistical Institute and the fourteenth Conference of Commonwealth Statisticians. Both sessions included papers by experts on topics ranging from the statistical capacity-building aspects of the Programme to the development of poverty-specific PPPs.

V. Regional status reports

33. A total of 104 countries are included at some level in the ICP round. The inclusion of the Eurostat/OECD region in the ring comparison and global results brings the total to 147 countries (see appendix). Details about each region are presented below.

A. Asia and the Pacific

34. Twenty-three countries in the region are participating in the International Comparison Programme. All of them started price collection surveys by April 2005. By July of 2005, 22 countries had surveyed the full consumption basket. Twenty-one countries computed average prices for the first quarter. Seventeen countries will submit prices with a rural/urban dimension. Data review workshops for the first and second quarters have been held in the region. Twenty countries have submitted GDP weights ranging from 2002 to 2004. All but one country will be participating at the full GDP level. All countries in the region are using the tool pack. The Pacific island countries have been collecting data that will enable them to compute purchasing power parities for consumption. Those data will then be linked to the overall Asian comparison.

B. Africa

35. Fifty-one countries are participating in the International Comparison Programme. Forty-three of them have conducted pilot surveys so far and 41 have met the requirements for full participation in the Programme. Regional workshops were held to train country staff on data quality. Two rounds of data review workshops have been completed. The region plans to calculate annual national average prices and compute PPPs for the reference years 2005 and 2006, using monthly data collected from July 2005 to June 2006. The tool pack is not being used in Africa at the country level, but its data processing module is used by the African Development Bank to generate Quaranta tables. For the processing of price surveys, the African Development Bank is using its own software called SEMPER.

C. Commonwealth of Independent States

36. Eleven countries are participating in the International Comparison Programme. Uzbekistan has dropped out of the programme. Price surveys for the 2005 Programme began in the CIS in January 2005. Georgia, the Republic of Moldova and Turkmenistan started price surveys in March 2005. In three Commonwealth countries (Azerbaijan, Russian Federation and Ukraine) prices are being collected in capital cities only. In the other Commonwealth countries, prices are being collected in capital cities and in large regions. All CIS countries take own consumption into account in the preparation of average prices. The region has reviewed 2004 data but has not yet held a data review workshop for 2005. Data collection for investment goods is also under way. The region is using the Eurostat system instead of the tool pack.

D. Eurostat and Organization for Economic Cooperation and Development

37. The region conducts its own comparison programme independently of the International Comparison Programme, and there are 43 countries in their jurisdiction. The second consumer price survey for 2005 will be completed in December 2005. All other data collection for the 2005 reference year has been completed. The region is a full participant in the ICP ring comparison. The ring countries under the coordination of the Office for National Statistics of the United Kingdom of Great Britain and Northern Ireland have conducted pre-surveys of the draft ring list.

E. Latin America

38. Ten countries are participating in the International Comparison Programme. All of them have been collecting data since the first quarter of 2005 and will be preparing PPPs at the full GDP level. The coverage is urban in all countries. Data collection occurs during a 4-6 week period each quarter. The region has been conducting quarterly data review workshops on a regular basis. The tool pack is being used in one country and in the regional coordinating office (Statistics Canada).

F. Western Asia

39. Eleven countries are participating in the International Comparison Programme. Data collection took place during the first quarter in nine countries, with two more beginning in the second quarter. United Arab Emirates has dropped out of the Programme. The region expects to continue data collection into 2006. All participating countries have submitted data to the regional office for review. One data review workshop has been held, and a second one is scheduled for December to review second quarter data. The region is using the tool pack in full.

VI. Points for discussion

40. **The Commission is requested to review progress and comment on planned activities. In particular, comments are welcomed on publication plans, data access issues and the future of the International Comparison Programme.**

Appendix

Countries and areas participating in the International Comparison Programme, 2003-2006

	Africa	*Latin America*	*Asia and the Pacific*	*Commonwealth of Independent States*	*Western Asia*	*Eurostat – OECD PPP Programme*
1	Algeria	Argentina	Bangladesh	Armenia	Bahrain	Australia
2	Angola	Bolivia	Bhutan[b]	Azerbaijan	Egypt[c]	Austria
3	Benin	Brazil	Brunei Darussalam	Belarus	Jordan	Belgium
4	Botswana	Chile	Cambodia[b]	Georgia	Iraq	Bulgaria
5	Burkina Faso	Colombia	China	Kazakhstan	Kuwait	Canada
6	Cameroon	Ecuador	Hong Kong, China	Kyrgyzstan	Lebanon	Croatia
7	Cape Verde	Paraguay	India	Republic of Moldova	Oman	Cyprus
8	Central African Republic[a]	Peru	Indonesia	Russian Federation[c]	Qatar	Czech Republic
9	Chad[a]	Uruguay	Iran (Islamic Republic of)	Tajikistan	Saudi Arabia	Denmark
10	Comoros	Venezuela (Bolivarian Republic of)	Fiji[b]	Turkmenistan	Syrian Arab Republic	Estonia
11	Congo		Lao People's Democratic Republic[b]	Ukraine[c]	Yemen[b]	Finland
12	Democratic Republic of the Congo[a]		Malaysia			France
13	Djibouti		Nepal			Germany
14	Egypt[c]		Pakistan			Greece
15	Equatorial Guinea		Philippines			Hungary

	Africa	Latin America	Asia and the Pacific	Commonwealth of Independent States	Western Asia	Eurostat — OECD PPP Programme
16	Ethiopia		Singapore			Iceland
17	Gabon		Sri Lanka			Ireland
18	Gambia		Taiwan, Province of China			Israel
19	Ghana		Thailand			Italy
20	Guinea[b]		Viet Nam			Japan
21	Guinea-Bissau[a]					Latvia
22	Kenya					Lithuania
23	Lesotho[b]					Luxembourg
24	Liberia[a]					Malta
25	Madagascar					Mexico
26	Malawi					Netherlands
27	Mali					New Zealand
28	Mauritania[b]					Norway
29	Mauritius					Poland
30	Morocco					Portugal
31	Mozambique					Republic of Korea
32	Namibia					Romania
33	Niger[b]					Russian Federation[c]
34	Nigeria					Slovak Republic
35	Rwanda					Slovenia
36	Sao Tome and Principe					Spain
37	Senegal					Sweden

	Africa	*Latin America*	*Asia and the Pacific*	*Commonwealth of Independent States*	*Western Asia*	*Eurostat — OECD PPP Programme*
38	Seychelles					Switzerland
39	Sierra Leone					The former Yugoslav Republic of Macedonia
40	South Africa					Turkey
41	Sudan[b]					Ukraine[c]
42	Swaziland					United Kingdom
43	Togo[b]					United States of America
44	Tunisia					
45	Uganda					
46	United Republic of Tanzania					
47	Zambia					
48	Zimbabwe					
	Total (147)	**51**	**10**	**23**	**11**	**11**	**43**

[a] Countries participating on trial basis.
[b] Countries participating in consumption surveys only.
[c] Egypt, Russian Federation and Ukraine are counted on two lists.